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THIS DISPOSITION IS NOT
CITABLE AS PRECEDENT OF THE TTAB

April 17, 1997

U.S. DEPARTMENT OF COMMERCE
PATENT AND TRADEMARK OFFICE

Trademark Trial and Appeal Board

Leathem S. Stearn
v.
Rommy Hunt Revson

Opposition No. 91,333 to application Serial No. 74/322,020
filed on October 9, 1992;

Opposition No. 91,334 to application Serial No. 74/322,023
filed on October 9, 1992;

Opposition No. 91,390 to application Serial No. 74/322,018
filed on October 9, 1992;

Opposition No. 91,391 to application Serial No. 74/322,019
filed on October 9, 1992; and

Rommy Hunt Revson
v.
Leathem S. Stearn

Cancellation No. 21,109

William C. McCoy and Michael W. Garvey of Pearne, Gordon, McCoy & Granger for Leathem S. Stearn.

Jay A. Blondell of Schweitzer Cornman & Gross for Rommy Hunt Revson.

Before Cissel, Seeherman and Hohein, Administrative Trademark Judges.

Opinion by Hohein, Administrative Trademark Judge:

Applications have been filed by Rommy Hunt Revson ("Revson") to register the mark "SCUNCI"[1] for: (i) "cosmetics, namely lipstick, blush, skin cleansing lotion, eye makeup, hair shampoo, hair conditioner, hair spray, hair mousse, hair gel, and perfume for personal use by women and girls";[2] (ii) "eyeglass frames and cords and chains for holding them";[3] (iii) "leather goods, namely handbags, wallets and purses";[4] and (iv) "personal care services, namely, beauty salons and hairdressing salons".[5]

Registration has been opposed by Leathem S. Stearn ("Stearn") on the ground that, as set forth in the notices of opposition respectively filed in connection with these consolidated proceedings,[6] Stearn is the owner of a registration

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[1] In each application, it is indicated that: "The wording SCUNCI has no meaning other than trademark significance."

[2] Ser. No. 74/322,020, filed on October 9, 1992, which alleges a bona fide intention to use the mark in commerce. The application is the subject of Opposition No. 91,333.

[3] Ser. No. 74/322,023, filed on October 9, 1992, which alleges a bona fide intention to use the mark in commerce. The application is the subject of Opposition No. 91,334.

[4] Ser. No. 74/322,018, filed on October 9, 1992, which alleges a bona fide intention to use the mark in commerce. The application is the subject of Opposition No. 91,390.

[5] Ser. No. 74/322,019, filed on October 9, 1992, which alleges a bona fide intention to use the mark in commerce. The application is the subject of Opposition No. 91,391.

[6] Proceedings in the oppositions were consolidated by the Board in an order dated November 2, 1993 and were consolidated with the cancellation proceeding in an order dated February 14, 1994.

for the mark "SCUNCI" which is registered, in the stylized form illustrated below, for an "elasticized hair holder";[7]

that, "[i]n accordance with a trademark license agreement dated March 10, 1992," Stearn "licensed the mark SCUNCI to Neal Menaged and Lewis M. Hendler, d.b.a. L & N Sales & Marketing," which pursuant to such agreement "sells and distributes elasticized hair holders bearing the trademark SCUNCI in substantial volume throughout the United States"; and that contemporaneous use of the parties' marks is likely to cause confusion, mistake or deception.

Revson, in her answers, has denied the salient allegations of the notices of opposition and has alleged, as affirmative defenses, the claims of fraud and abandonment which she asserted in her petition, filed prior to commencement of the oppositions, to cancel Stearn's pleaded registration for the mark "SCUNCI". In addition, Revson has alleged as an affirmative defense in each opposition that "Stearn has unclean hands and is

[7] Reg. No. 1,612,163, issued on September 4, 1990, which alleges dates of first use of May 23, 1986; affidavit §8 accepted.

therefore estopped from maintaining this Opposition and asserting any rights in the SCUNCI trademark superior to registrant" [sic].

In the petition to cancel, Revson has alleged that prior to 1986, she "designed and developed an original invention for a decorative hair accessory," for which she "conceived the name SCUNCHY"; that she "later conceived of the alternative spelling SCUNCI for the decorative hair accessory"; that in May 1986, she disclosed to Stearn "her development of the decorative hair accessory and the name SCUNCHY/SCUNCI"; that by January 1987, she "had entered into an agreement with Stearn concerning the marketing by Stearn of the SCUNCI products developed by Revson"; that Stearn marketed such products under her control and license; that the agreement was terminated at least as early as 1989; that "Stearn abandoned use of the SCUNCI trademark for hair accessories at least as early as 1989"; that Revson is the owner of an application to register the mark "SCUNCI" for ponytail holders;[8] that such application has been refused under Section 2(d) of the Trademark Act in view of Stearn's registration; that Stearn's registered mark for his goods so resembles Revson's applied-for mark for ponytail holders as to be likely to cause confusion, mistake or deception; that Stearn's registration was "obtained through fraud" since, although dates of first use of May 23, 1986 were alleged in the underlying application, "the only uses of the SCUNCI mark were not made until 1987, and any

[8] Ser. No. 74/242,993, filed on January 31, 1992, which is based upon a bona fide intention to use the mark in commerce.

such uses were made for the benefit of Revson"; and that in the underlying application, "Stearn falsely and knowingly declared himself to be the owner of the mark ... with full knowledge that Revson was the owner of the mark ...."

In response, Stearn moved to dismiss the cancellation petition on the basis of the doctrine of claim preclusion (which is also known as res judicata). The Board, treating the motion as one for summary judgment due to the submission of matters outside of the pleadings, stated among other things in its May 6,

1996 order that (*emphasis added*; citations omitted):[9]

> In Opposition No. 78,845 petitioner (as opposer) opposed the grant of a registration to respondent (as applicant) for the mark involved herein. In the notice of opposition, which was filed June 23, 1988, petitioner made allegations similar to those in the present petition to cancel with respect to her invention of the SCUNCI pony tail holder, the licensing agreement entered into by her with respondent in 1987, and the false statements made by respondent in his application with respect to first use dates and ownership of the SCUNCI mark. Although an answer was filed and trial dates were set, petitioner took no further action in the opposition and final judgment under [Trademark] Rule 2.128(a)(3) was entered by the Board on March 28, 1990.
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> ....
>
> Despite the fact that the prior proceeding between the parties was an opposition and the present proceeding is a cancellation proceeding, the cause of action in both proceedings is the same, namely, applicant/respondent's right to a registration for the mark SCUNCI and Design for an elasticized hair holder. .... Accordingly, *petitioner is barred under the doctrine of claim preclusion from raising any claim in this cancellation proceeding which*

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[9] The Board, in this regard, also noted that:

> Under the doctrine of claim preclusion, or res judicata, the entry of a final judgment on the merits of a claim precludes the relitigation of that claim in a subsequent proceeding involving the same parties. Claim preclusion also extends to those claims that could have been raised in the prior action. .... Claim preclusion may operate simply by virtue of a final judgment, including a default judgment, so long as the parties had the opportunity to have their controversies determined. .... Issue preclusion, or collateral estoppel, applies only to issues actually litigated in the prior action, and thus is not applicable to the present situation.

> *was or might have been raised in the opposition proceeding.* While petitioner argues that her failure to actually litigate the claims raised in the opposition was due
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> to lack of funds caused by inadequate royalty payments by registrant, petitioner has presented no evidence to establish that she clearly had no opportunity to go forward and have her claims adjudicated in the earlier opposition. Accordingly, petitioner cannot avoid the consequences of the default judgment, which stands as a bar to petitioner's relitigation of the claims which were raised or could have been raised in the opposition. ....
>
> In the notice of opposition, petitioner (as opposer) specifically set forth allegations with respect to the contractual relationship of the parties as well as to the false statements made by registrant (as applicant) in his application in connection with the first use dates and his ownership of the mark. Thus the claims of fraud and lack of ownership were raised in the opposition proceeding. Although no allegations of likelihood of confusion were made at that time, petitioner, as licensor, could have raised this claim with respect to the use being claimed by registrant in his own behalf.
>
> Accordingly, *of the claims pleaded in the cancellation proceeding, the only one which might not be barred under the doctrine of res judicata is that of abandonment.* No allegations of nonuse were made in the notice of opposition nor does it appear that they could have been made. *While petitioner is now alleging abandonment as early as 1989, petitioner has submitted the transcript of a deposition taken on June 6. 1991 which she maintains constitutes her first knowledge of registrant's cessation of use, as would lead to such a claim. The final judgment in the opposition proceeding was entered on March 28, 1990. In view thereof,* and taking respondent's semi-acquiescence as to the viability of this claim into consideration,

> *the Board does not find the claim of abandonment barred by the principles of claim preclusion or res judicata.*
>
> *In summary, respondent's motion is granted to the extent that paragraphs 11-13 of the petition to cancel [which deal with the claim of fraud] are stricken. The*
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> *cancellation proceeding will go forward solely on the claim of abandonment*, with the pleadings with respect to the likelihood of confusion and the existence of a contractual relationship being entertained only for purposes of standing.
>
> Respondent is allowed ... thirty days to file an answer to the remaining allegations in the petition to cancel ....

Stearn, in his timely answer, has denied the remaining salient allegations of the petition to cancel.

Subsequently, on November 30, 1994, the Board issued an order in connection with these consolidated proceedings which, inter alia, struck sua sponte Revson's affirmative defense of fraud from her answers to the notices of opposition. Recounting that "[t]he Board, in its order of May 6, 1993, granted opposer's (respondent's) motion in Cancellation No. 21,109 to dismiss the petition for cancellation on the ground of claim preclusion, or res judicata, insofar as applicant's [(petitioner's)] claims of fraud in obtaining the registration, lack of ownership and likelihood of confusion were concerned" and noting that "the petition for cancellation would go forward only on the claim of abandonment, the Board in its November 30, 1994 order clarified and explained that (*emphasis added*):

> *[A]lthough the prior Board decision upon which the claim preclusion was based became*

> *final on March 28, 1990, the Board made no statement that the time in which abandonment might [have] been shown was restricted to the period after the Board's prior decision.* Instead[,] the Board noted that, although applicant (petitioner) was alleging abandonment as early as 1989, applicant had submitted evidence that her first knowledge thereof was not until 1991, and thus she
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> could not have raised the claim in the earlier case. ....
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> Thus opposer's general objection to much of the discovery sought on the basis that it calls for information with respect to activities prior to March 28, 1990 is improper. ....
>
> On the other hand, applicant's contention that the Board's order in Cancellation No. 21,109, issued prior to consolidation of that proceeding with the oppositions, places no restriction on the issues which may be raised in the oppositions, is equally incorrect. *The Board consolidated the proceedings because the petition to cancel was directed to the opposer's pleaded registration and thus stood in the same position as a complusory [sic] counterclaim in the oppositions. Any other challenges to the pleaded registration would also have had to been raised by means of a counterclaim and not set forth as an affirmative defense.* See Trademark Rule 2.106(b)(2(i).
>
> *Thus applicant's argument that she has validly raised the issue of opposer's making material misrepresentations to the Office in connection with obtaining his registration in the affirmative defenses set forth in her answers to the oppositions is not well taken. This [fraud] claim was precluded from the cancellation proceeding and cannot be brought in as an affirmative defense in the oppositions.*

> *Accordingly,* ... [and] although, as pointed out by applicant, opposer has filed no motion to strike any of the affirmative defenses, *the Board is hereby sua sponte striking all affirmative defenses attacking the validity of the pleaded registration from the answer filed in each of the oppositions, leaving only the counterclaim of abandonment [as set forth in the petition to cancel] to be considered at final hearing.*

Thus, only the pleaded affirmative defenses of abandonment and unclean hands may be considered in the oppositions. Furthermore, with respect to the compulsory counterclaim of abandonment raised by the petition to cancel, it should also be pointed out that the claim preclusion or res judicata effect of the March 28, 1990 judgment in the prior opposition between the parties bars Revson from establishing abandonment by Stearn on the basis of events or transactions which had wholly transpired by such date, although she can rely on any period of nonuse of the "SCUNCI" mark by Stearn which commenced less than two years prior to March 28, 1990[10] or on specific events occurring after March 28, 1990 which evidence discontinuance of use of the mark with an intent not to resume use.[11]

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[10] While we note that, as of January 1, 1996, Section 45 of the Trademark Act was amended to provide that a period of three consecutive years of nonuse, instead of a two-year period, constitutes prima facie abandonment, we have applied the two-year standard, since these proceedings were commenced prior to January 1, 1996, so as not to give retroactive effect to the statutory amendment. See Clairol Inc. v. Compagnie D'Editions et de Propagande du Journal La Vie Claire-Cevic, 24 USPQ2d 1224, 1226 (TTAB 1992).

[11] For instance, Revson cannot rely upon a February 12, 1987 "assignment and transfer" executed by Stearn as constituting an abandonment of the mark since a claim of abandonment predicated on such a transaction plainly took place prior to March 28, 1990.

The record consists of the pleadings; the files of Revson's applications and Stearn's registration; the trial deposition, with exhibits, of Lewis M. Hendler, executive vice president of L&N Sales and Marketing ("L&N"), which Stearn submitted as his case-in-chief in the oppositions; and the discovery deposition of Stearn, with exhibits, which Revson submitted by a notice of reliance[12] as her case-in-chief in the petition to cancel.[13] Neither party took rebuttal testimony or offered any other evidence. Each party submitted briefs, but an oral hearing was not requested.

The issues to be determined are whether Stearn, subsequent to March 28, 1990, abandoned the mark "SCUNCI" for elasticized hair holders; whether Stearn or Revson has priority of use of the mark "SCUNCI"; and whether contemporaneous use of such mark in connection with Stearn's products and Revson's goods and services is likely to cause confusion as to source or

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Similarly, Revson cannot rely upon the demonstration of a two-year period of nonuse by Stearn if such period ended on or before March 28, 1990, although she could base a claim of abandonment on any two-year period of nonuse which began as early as March 29, 1988.

[12] It is noted that the notice of reliance, filed with a certificate of mailing dated October 13, 1995, is untimely since, by an order issued by the Board on July 19, 1995, Revson's testimony period as defendant in the oppositions and as plaintiff in the petition to cancel was rescheduled to close on September 18, 1995. However, inasmuch as the briefs of the parties treat the testimony and exhibits from Revson's discovery deposition of Stearn as part of the trial record, such evidence is accordingly deemed to have been stipulated into evidence pursuant to Trademark Rule 2.123(b).

[13] The parties' stipulation, filed with the notice of reliance, concerning the substitution of a "copy of the document entitled 'Assignment And Transfer By Leathem S. Stearn of Scunci International Ltd.'" for the "copy of such document marked as Exhibit 1 during the deposition of Leathem S. Stearn taken January 4, 1994" is approved.

sponsorship. However, no further consideration will be given to the issue of whether Stearn has unclean hands since, as is clear from the cursory mention thereof in her initial brief,[14] there is simply no proof whatsoever of any intentional misuse of the federal registration symbol by Stearn or any licensee.

According to the record, L&N is a manufacturer and distributor of hair accessory products which, under a license agreement from Stearn to Lewis M. Hendler and Neal Menaged dated March 10, 1992, uses the mark "SCUNCI" in connection with elasticized hair bands, hair ties, barrettes, hair holding combs, hair clips and headbands.[15] Mr. Hendler, when presented with a

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[14] Revson, noting that L&N "has applied the federal registration symbol to goods which are clearly not encompassed by the registration," asserts only that "[i]f such use was pursuant to a license, it raises issues of unclean hands of Stearn and his ability to maintain these opposition proceedings."

[15] Although Mr. Hendler testified that "my company ... license[s] the use of the Scunci trademark from" Stearn and that the document marked as Exhibit 10 to the deposition "is a copy of the Trademark License between Leathem Stern and my company," L&N is not a party to the agreement, which as indicated above is actually between the individuals Stearn, Hendler and Menaged. (Hendler dep. at 13.) Paragraph 1(a) of such license, however, provides Hendler and Menaged (collectively referred to therein as "Lisensee") "with the right to grant sublicenses" of the mark "SCUNCI". Stearn's approval, as licensor, of any sublicensee is not required in the case of a sublicense to a company controlled by Hendler and Menaged since paragraph 1(c) of the license provides, in relevant part, that (*emphasis added*):

> Notwithstanding the right to sublicense granted to Licensee in subparagraph (a), Licensor may disapprove a proposed sublicensee by Licensee of the Trademark, *other than to a company controlled by Licensee*, by objecting to such proposed sublicensee within 30 days of notice thereof on the basis that such proposed sublicense is to a person or company which either (i) lacks the financial resources to meet its anticipated obligations under the sublicense or (ii) has a demonstrably poor business reputation in the industry to which the sublicense pertains. ....

certified copy of Stearn's pleaded registration for the mark "SCUNCI" showing that such registration is owned by Stearn and is in full force and effect,[16] confirmed his understanding that "this is the registration" under which L&N is licensed to use the mark for its line of hair accessory products. (Hendler dep. at 14.)

Pursuant to the license agreement, which recites among other things that Stearn is the owner of the mark, L&N has regularly paid Stearn the royalties he is due, and Stearn has accepted such royalties, for use of the "SCUNCI" mark. In

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Furthermore, it is noted that in paragraph 11(b) of the license, Hendler and Menaged represent and warrant, in particular, that (*emphasis added*):

> (i) *As of the date hereof, Licensee, through a controlled corporation, The New L&N Sales and Marketing, Inc.*, has the rights to manufacture and sell hair accessories incorporating the claim of U.S. Design Patent 292,030 (the "030 Patent) under license from Rommy Revson, which license is in good standing with no outstanding claims of default by either party. This representation and warranty shall not be construed as a continuing warranty that Licensee, either directly or indirectly, will continue to have such license rights involving the 030 Patent, and this Agreement shall not be affected in the event that Licensee's rights with respect to the 030 Patent shall hereafter terminate for any reason ....

The relationship, if any, of L&N, which is a Pennsylvania corporation, to The New L&N Sales and Marketing, Inc. has not been indicated, however.

[16] While, by virtue of the petition to cancel, Stearn's pleaded registration is automatically of record in light of Trademark Rule 2.122(b), the introduction of the certified copy thereof as Exhibit 11 to Mr. Hendler's deposition is the functional equivalent of Stearn's having filed a notice of reliance thereon and thus required no corroborating testimony by Mr. Hendler as to the current status of and title to the registration, which facts are shown on the face of the certified copy. See Volkswagenwerk Ag. v. Clement Wheel Co., Inc., 204 USPQ 76, 80 (TTAB 1979).

accordance with the terms of such license, which was in full force and effect as of the May 24, 1995 date of Mr. Hendler's deposition, L&N has also furnished quarterly sales reports to Stearn and has periodically provided samples of the products it sells under the "SCUNCI" mark for his inspection and approval. Stearn has received such reports continuously and, pursuant to his rights as licensor, has inspected and approved the quality of the goods produced and sold by L&N under the "SCUNCI" mark. Moreover, none of the royalty reports which Stearn has received has indicated that sales of elasticized hair holders or other hair accessories under the licensed "SCUNCI" mark have been made by anyone other than L&N, nor has any of the information provided by L&N or Hendler and Menaged indicated that such mark is being used on products sold by any companies not controlled by Hendler and Menaged. In addition, while Stearn knows from the product samples he has received and inspected that actual use of the "SCUNCI" mark for hair accessory products is by L&N rather than Hendler and Menaged and knows that the license agreement gives the latter the right to assign the agreement to a company which they control, Stearn is not aware of any such assignment.

As background to the origin of the March 10, 1992 license agreement, Stearn stated that in February 1992, either Hendler or Menaged telephoned him and asked for a license to use the "SCUNCI" mark for hair accessories because "[t]hey realized I was the owner" thereof since their former partnership, which (like L&N) went by the name of L&N Sales and Marketing, had previously been a distributor of such products. (Stearn dep. at

121.) Although Stearn does not recall why the license agreement was with Hendler and Menaged as individuals rather than with L&N, or whether Hendler and Menaged have actually used the "SCUNCI" mark in marketing any products in their individual capacities or have given permission to use such mark under their license with Stearn to any company with which they are associated, Stearn regards L&N's use of the mark as being pursuant to the license agreement:

> Q. Have you given permission to L&N, the company, to use the trademark?
>
> A. The permission I have given to use the trademark is all contained in [the license agreement] here.
>
> Q. Do you know if you have given L&N the trademark? I want to know what your understanding is without the document.
>
> A. The specifics of this document, I would have to read it closely as to the license to Lou and Neal, and they have the right to market this product through their companies. The exact language is something I'm not familiar with at this point.
>
> Q. That's your understanding of the effect of the agreement? That's what I am asking, that Lou and Neal have the trademark and the right to use it in their companies?
>
> A. That's my understanding.

(Id. at 124-125.)

The hair accessory products marketed by L&N under the licensed "SCUNCI" mark are sold by its own sales representatives and independent brokers and distributors to mass marketers, who in turn resell such goods principally to women and girls as the

ultimate consumers thereof. In particular, L&N sells its goods through "discount department stores, such as Wal-Mart, K Mart, and Target; supermarkets such as Pathmark, A & P, and Wegman's, and drug chains such as Revco and Eckerd's." (Hendler dep. at 15.) L&N also sells its goods through "warehouse clubs such as Sam's, ... BJ's, and Price Costco." (Id.) Typically, L&N's hair accessory products are displayed at retail on self-service racks, which enable the consumer to select the specific goods desired. L&N's "SCUNCI" products are often marketed side-by-side with combs and brushes sold by competitors in the hair accessories field under such marks as "GOODY," "REVLON" and "VIDAL SASSOON". Although L&N's products are basically used in hair styling to hold hair in place, items such as its headbands and elasticized hair bands are also regarded by consumers as fashion accessories, with the latter even being worn sometimes on the wrist like a bracelet. Moreover, while hair accessories are also sold in beauty salons, L&N "does not presently sell Scunci brand hair accessories in beauty salons." (Id. at 22.)

Mr. Hendler, noting that he knows Revson and is aware that she has filed several applications to register the "SCUNCI" mark, testified to his opinion that confusion would be likely from contemporaneous use of the mark "SCUNCI" in connection with L&N's hair accessories and many of Revson's goods and services.[17] In particular, Mr. Hendler asserted that Revson's use of the mark

[17] Although counsel for Revson objected thereto, the objection was not reiterated in either of the briefs filed by Revson and is accordingly considered to have been waived.

in connection with leather goods "would interfere with our own plans for the development of our product line" because handbags, wallets and purses "are goods which are sold in the same channels of distribution that we sell into"; such goods "are physically located in the vicinity of the goods we presently sell in mass marketers"; the respective products in many cases are "probably not more than 50 feet away"; and the "Scunci mark is a very distinctive mark" since "there is nothing even close to it in the marketplace." (Id. at 20.) While conceding, with respect to use by Revson of the "SCUNCI" mark for beauty salons and hairdressing salons, that "the potential impact on us ... is significantly less than would be the case with the leather goods," Mr. Hendler stated that "I clearly still have a problem with it" because the "customers are the same customers we sell to" and "there is a strong recognition by consumers of our ... Scunci brand name [products]." (Id. at 22 and 23.)

As to use by Revson of the "SCUNCI" mark on cosmetics, Mr. Hendler expressed the opinion that "there would be tremendous confusion, even more than leather goods," because products like shampoo, conditioner, hair spray, mousse and gel "would be sold in many cases three to six feet away from my products" and the respective goods would be bought by the same customers.[18] (Id.

[18] Mr. Hendler offered no opinion, however, on whether use by Revson of the "SCUNCI" mark in connection with eyeglass frames and the cords and chains for holding them would be likely to cause confusion with the marks "SCUNCI" for hair accessories. Instead, he testified to his opinion with respect to use by Revson of the "SCUNCI" mark for "board games, dolls and plush toys" and which, while the subject of another intent-to-use application, Ser. No. 74/322,021, filed by Revson on October 9, 1992, is not one of the applications involved in these proceedings.

at 25 and 26.) Mr. Hendler, indicating that L&N's "marketing plans include natural line extensions ... into many of these items," noted in particular that:

> For example, we are already investigating the use of a line extension for Scunci brand hair shampoo.
>
> We've already spoken with one of the larger manufacturers about private labeling for us and making their formulas available to us, and have already made inquiries to our major retailing customers about their interest and what price points we would have to be at and what levels of advertising would be necessary to support adding Scunci brand shampoo to their existing lines.

(Id. at 26.) Similarly, as to leather goods such as handbags, wallets and purses, Mr. Hendler stated with respect to possible plans by L&N to market such goods that "[t]hose kinds of products are natural line extensions for the hair accessories that we sell." (Id. at 33.)

However, as of the January 4, 1994 date of his discovery deposition, Stearn indicated that although, as requested by Hendler and Menaged, he was taking steps to register the "SCUNCI" mark in his name in England, France and Italy, they had not yet extended use of the mark to products other than hair accessories since they had not given him notice thereof as required by the license agreement.[19] Although Stearn did not

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[19] Specifically, Stearn testified as follows:

> Q. Have they brought to you any proposals for sublicensing as noted in paragraph 1 C?
>
> A. No, I don't believe so.

know what products, such as clothing or eyeglasses, Hendler and Menaged were considering as possibilities for expanding use of the "SCUNCI" mark under the terms of the license agreement, he testified that "[t]here is no specific plan" and that:

> Q. You don't remember what you have touched on?
>
> A. We have talked about all those things, T-shirts, eyeglasses, clothing. There is just talks so far.
>
> Q. When were these discussions?
>
> A. We have had discussions on and off since the license [commenced].

(Stearn dep. at 133.)

With respect to Stearn's activities concerning the "SCUNCI" mark prior to his licensing thereof to Hendler and Menaged on March 10, 1992, the record reveals that on February 12, 1987, Stearn signed a document entitled "ASSIGNMENT AND TRANSFER BY LEATHEM S. STEARN OF SCUNCI INTERNATIONAL LTD." Such document states that Stearn "transfers and assigns to Scunci International Ltd. ('Corporation'), as partial consideration for the issuance to him of 35,000 shares of Corporation's common stock," the following (*emphasis added*):

> 1. All of Mr. Stearn's interest in a license agreement between himself, as licensee, and Romey [sic] Revson as licensor, relating to the hair accessories product (the "Product") known generally as Scunci or Girl Friend. ....
>
> 2. All of Mr. Stearn's interest of the *trade names* "Scunci["] and "Girl Friend".

> 3. All of Mr. Stearn's know-how relating to the Product or the commercial exploitation of the Product including all confidential information relating to the manufacture, promotion and sale of the Product.
>
> 4. All of Mr. Stearn's interest in any contracts relating to the manufacture, promotion or sale of the Product. ....

By the terms of such document, Stearn also agreed to "execute and deliver to the [C]orporation any further documents which are appropriate to effect the transfer of [sic] Corporation of any rights described herein."

Stearn testified in his discovery deposition that the above document was part of an agreement between himself and Scunci International Ltd. ("SIL"), a New York corporation in which he was the principal shareholder and which he organized for the purpose of marketing hair accessories, including elasticized hair holders, under the mark "SCUNCI". Stearn stated that, when he signed the above agreement on February 12, 1987, he "basically owned" the trademarks and trade names Scunci and Girl Friend and had previously applied for federal registration thereof.[20] (Id. at 10.) Stearn, who unlike Mr. Hendler is not an attorney, admitted, however, that he does not know "what the distinction is between [a] trade name and corporate name and [a] trademark." (Id. at 10-11.) Stearn insisted, nevertheless, that the document he signed on February 12, 1987, which makes no mention of any goodwill, was not intended to transfer his ownership rights in

[20] The "GIRL FRIEND" mark, according to the record, was to be used to identify a lower-priced line of the same types of hair accessories as those sold under the "SCUNCI" mark.

the "SCUNCI" mark for an elasticized hair holder to SIL and that such rights were not transferred thereby.

Prior thereto, and perhaps as early as the spring or summer of 1986 or at least by the fall of 1986, Stearn had sold some product samples of hair bands under the "SCUNCI" mark in test markets, including a sale of "some product to an outfit in Fish Creek, Wisconsin" where he maintained a residence. (Id. at 18.) Specifically, such goods, bearing a hang tag with the mark thereon, were shipped from New York, where he was principally residing, to a clothing or dry goods store in Wisconsin. Stearn continued to carry on his sales activities in corporate form once SIL was in business, which occurred sometime after he made his initial sales but prior to February 1987.

In fact, according to an affidavit executed by Stearn on December 12, 1987, which was prepared in connection with a civil action brought by Revson against SIL and Stearn for royalties allegedly due on her design patent for the elasticized hair holders which SIL was selling under the mark "SCUNCI," Stearn had formed SIL by November 1986 and its total sales of hair accessories under such mark through October 31, 1987 had exceeded $2,000,000. Stearn, inter alia, also averred therein that "[i]n October, 1986, with Revson's knowledge and consent, I made arrangements to acquire trademarks for 'Scunci' and 'Girl Friend,' in my name"; that "on January 14, 1987, I entered into an agreement ('License Agreement') ... with Revson" concerning use of her design patent for an elasticized hair holder; that the "License Agreement does not purport to license the trademark

Scunci (which Revson does not own"; and that "[a]fter the License Agreement was signed, I transferred and assigned all of my rights and obligations under the agreement to SIL," as shown by an accompanying copy (discussed above) of the February 12, 1987 "ASSIGNMENT AND TRANSFER BY LEATHEM S. STEARN OF SCUNCI INTERNATIONAL LTD." (Exhibit 4 of Stearn dep. at ¶¶21, 39, 44 and 46.)

According to Stearn, SIL first shipped goods bearing the "SCUNCI" mark in January 1987. However, by retaining title to the underlying application and eventual registration therefor, Stearn intended to keep the "SCUNCI" mark as his own property, rather than transfer it to SIL, in order "to make sure that the corporation was going to be successful and honor its commitment to me." (Stearn dep. at 34.) Nevertheless, SIL was to be permitted to use the "SCUNCI" mark both in its corporate name and as a product mark for the goods it was selling.[21] Thus, other than SIL, "no one was officially using the trademark until L&N signed a license agreement" on March 10, 1992. (Id. at 37.) Stearn, in particular, has had no further personal use of the "SCUNCI" mark, as distinct from any use which inures to his benefit as licensor, since use of the mark by SIL commenced by around February 1987.

As to how the mark "SCUNCI" for an elasticized hair holder originated, Stearn stated that "[i]t came out of

[21] Stearn confirmed in his testimony that the only rights which he withheld from SIL were his ownership of both the "SCUNCI" mark and the registration therefor.

discussions early in the formation of the company" which became SIL. (Id. at 92.) Specifically, while Stearn does not recall whether the idea for the mark was his or Revson's, he stated that such mark "started out [as] Scunchy, being descriptive of the appearance [of the product]. It evolved to Scunci." (Id. at 93.) The "SCUNCI" mark, however, is simply a fabricated term and does not mean anything in a foreign language.

Pursuant to an "AGREEMENT OF MERGER" made on September 9, 1987 "by and among SCUNCI INTERNATIONAL LTD., a New York corporation ('Scunci'), Leathem Stearn, ... the principal shareholder of Scunci ..., ENER-MARK ACQUISITION, INC., a New York corporation ... and ENER-MARK CORPORATION, a Delaware corporation," SIL was merged into and became a wholly owned subsidiary of Ener-Mark Corporation ("E-M"). Among other things, paragraph 2.14 of such agreement, which is captioned "Patents, Trademarks, Etc.," states that "Scunci owns or possesses adequate licenses or other rights to use all service marks, patents, trade names, trademarks, copyrights, licenses and proprietary rights necessary to the conduct of the Scunci Business." According to Stearn, such language meant that SIL had a license to use the mark "SCUNCI" for hair accessory products and, at the time of the merger, was selling such products. Stearn, who had been president of SIL in addition to being its principal shareholder, remained as president of the merged entity after having sold his shares in SIL in return for shares in E-M.

While Stearn does not know exactly when the merged entity ceased to conduct the business formerly operated by SIL,

he is sure that such entity eventually went out of business "within a couple of years of" the merger of SIL. (Id. at 58.) Although Stearn left, "as effective operating president, sometime in early '88," he remained on the board of the merged company and for several years, until ultimately resigning his directorship, continued to be involved in various litigation concerning the business conducted under the "SCUNCI" mark and assisted in marketing products sold thereunder. (Id. at 59.) In particular, to the extent of his recall, Stearn testified that:

> Q. Is it fair to say that the company was out of business by November of 1989?
>
> A. I don't think so.
>
> Q. After that date --
>
> A. It would be after that date, I think.
>
> Q. I just said that because that was two years, two months [after the merger]. Just to pick a date.
>
> I don't know the date.

(Id. at 58.)

Thus, while it is clear that SIL eventually went out of business and stopped shipping hair accessories under the mark "SCUNCI," Stearn could not state precisely when such occurred since he could not remember exactly when he resigned his directorship or when he ultimately left due to what he believed to be a breach of his employment contract by the company he had headed. Stearn does recall, however, that as of the September 7, 1987 date of the merger agreement, he retained ownership of the

"SCUNCI" mark, and his pending application for the registration thereof, and that E-M was "aware of my ownership of the [SCUNCI] trademark" "because we had discussed it." (Id. at 67.) In addition, Stearn maintains that among the assets acquired by E-M in the merger with SIL was the latter's license to use the "SCUNCI" mark for hair accessories, although no copy of any such license agreement was ever introduced as an exhibit.

The closest Stearn could come to indicating when SIL stopped selling hair accessories under the "SCUNCI" mark was the following testimony:

> Q. There is no date that you can give me that would tell you when you believe Scunci International ceased shipping products?
>
> A. The only recollection that I have is Scunci supposedly was still clearing out inventory in 1990.
>
> Q. How do you know? They told you that?
>
> A. I was told that.
>
> ....
>
> Q. By clearing out inventory, I take it that Scunci International wasn't acquiring any stock? It was cleaning [sic] what was remaining?
>
> A. I don't know that. I just know that they still had inventory to sell.
>
> Q. Do you know if they were actively selling it at this time?
>
> A. They certainly were until everything was sold.

> Q. You don't know if everything has been sold even today, do you?
>
> A. No, I don't.

(Id. at 83-84.) In reference to his answers to Revson's interrogatories, Stearn confirmed that, while SIL last manufactured hair accessories bearing the "SCUNCI" mark around the fall of 1989, it was still doing business in 1991. Moreover, according to information which Stearn personally received from both L&N and the manager of Block Stores, such goods remained for sale on retail shelves until 1991. Stearn admitted, however, that he had "[n]o idea" whether L&N was still purchasing hair accessory products from SIL after 1989. (Id. at 88.)

In view of the above, and in light of the following additional testimony, it appears that SIL had ceased doing business under the "SCUNCI" mark by no later than early 1992:

> Q. Does Scunci International have the right to use the trademark?
>
> A. Not any more.
>
> Q. Why not?
>
> A. They're out of business.
>
> Q. So that the rights they did have to use the trademark no longer exist because they're out of business?
>
> A. That's my understanding. I'm not a lawyer.
>
> Q. How long have they been out of business in using the trademark?
>
> A. I don't know when they went out of business. I would say, by 1992 they were out of business.

(Id. at 127.)

Stearn also testified that, up until the time he signed the license agreement with Hendler and Menaged on March 10, 1992, a variety of capital and litigation problems involving SIL prevented him from using the "SCUNCI" mark to market hair accessory products. According to Stearn, it was basically a question of whether SIL was going to be able to continue as a business and, if not, then "it would be necessary to get another licensee." (Id. at 91.)

Since the petition to cancel operates, in effect, as a counterclaim against Stearn's pleaded registration in the oppositions, we turn our attention first to the abandonment claim. Under the relevant definition of "abandonment" provided by Section 45 of the Trademark Act,[22] "[a] mark shall be deemed to be 'abandoned' when either of the following occurs:"

> (1) When its use has been discontinued with intent not to resume such use. Intent not to resume use may be inferred from circumstances. Nonuse for two consecutive years shall be prima facie evidence of abandonment. "Use" of a mark means the bona
>
> fide use of that mark made in the ordinary course of trade and not made merely to reserve a right in a mark.
>
> (2) When any course of conduct of the owner, including acts of omission as well as commission, causes the mark ... to lose its significance as a mark. ....

It is settled that "[a]bandonment, being in the nature of a forfeiture, must be strictly proved." Wallpaper Manufacturers,

[22] See footnote 10.

Ltd. v. Crown Wallcovering Corp., 680 F.2d 755, 214 USPQ 327, 332 (CCPA 1982). Moreover, it is Revson, rather than Stearn, who as the cancellation petitioner bears the ultimate burden of proof of abandonment by a preponderance of the evidence. See Cerveceria Centroamericana S.A. v. Cerveceria India Inc., 892 F.2d 1021, 13 USPQ2d 1307, 1309 (Fed. Cir. 1989). Thus, for instance, it is Revson who bears the burden of establishing a prima facie case of abandonment on the basis of nonuse of the "SCUNCI" mark by Stearn or his licensee(s) for a period of two consecutive years and, only upon such a showing, does the burden of persuasion shift to Stearn to come forward with evidence to disprove the presumption of abandonment. Id. at 1312. Similarly, it is Revson who has the burden of proving abandonment through uncontrolled licensing.

Revson, in her initial brief, has raised a variety of theories to support her claim that "Stearn abandoned use of the SCUNCI trademark for hair accessories at least as early as 1989". Her theories range from the argument that Stearn assigned his rights in the mark to SIL on February 12, 1987 and thereafter both discontinued any personal use thereof and failed to control the nature and quality of the goods sold thereunder by SIL, to the contention that the individuals licensed by Stearn under the March 10, 1992 agreement have never used the mark and that the use thereof by L&N, even if it is owned by Hendler and Menaged, does not inure to either their or Stearn's benefit since there is no proof of any assignment or transfer of the license agreement to L&N nor is there proof that Stearn supervises or otherwise controls L&N's use of the mark. However, as previously pointed

out,[23] Revson's assertion that Stearn's February 12, 1987 assignment and transfer of certain interests to SIL divested him of trademark rights and constituted an abandonment by him of the "SCUNCI" mark plainly is barred by the res judicata or claim preclusion effect of the judgment entered by the Board on March 28, 1990 in the prior opposition between the parties and thus will not be further considered. Moreover, while the record is not entirely clear in several respects, Revson has failed to prove a cessation of use of the mark for any relevant two-year period[24] commencing on or after March 29, 1988[25] or that Stearn neglected to exercise and maintain adequate control over the nature and quality of the goods sold under the mark by third parties.

The facts established by the record show that, since January 1987, SIL sold hair accessories under the "SCUNCI" mark and that, while it last manufactured hair accessories bearing the "SCUNCI" mark around the fall of 1989, it continued to sell such goods from its existing inventory through at least 1991; and it did not finally go out of business until sometime in early 1992. Moreover, following the ultimate demise of SIL, it is clear that L&N has been selling hair accessories, including elasticized hair

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[23] See footnote 11.

[24] We observe, in this regard, that the absence in the record of evidence of nonuse for a period of at least two consecutive years does not suffice; instead, what is necessary is evidence of the absence of use for such period.

[25] See footnote 11.

holders, under the "SCUNCI" mark since the March 10, 1992 date of the license agreement between Stearn, Hendler and Menaged and that, as of the May 24, 1995 date of Hendler's trial deposition, there is nothing in the record which indicates any period of cessation of such use. There accordingly has been no demonstration by Revson that, beginning anytime on or after March 29, 1988, an interval of at least two consecutive years of nonuse of the mark for hair accessory products existed so as to constitute prima facie evidence of abandonment.

As to whether, during the relevant time period, Stearn failed to exercise adequate control over the nature and quality of the goods sold by SIL and L&N under the "SCUNCI" mark, there admittedly is no evidence of the existence of a written license agreement for the mark and goods between Stearn and SIL.[26] It is clear, nevertheless, that Stearn formed SIL for the purpose of continuing his business under the mark and that he was both its president and principal shareholder. In addition, following the merger of SIL with E-M around September 1987, Stearn remained president of the merged entity until sometime in early 1988 and continued with the company for several years in a marketing capacity and as a director. Stearn was thus in a position of control over the nature and quality of the goods sold under the "SCUNCI" mark and repeatedly testified that, not only did he

[26] The lack thereof, however, is not dispositive since it is settled that a *written* license agreement is not required. See, e.g., Nestle Co. Inc. v. Nash-Finch Co., 4 USPQ2d 1085, 1089 (TTAB 1987) and Basic Inc. v. Rex, 167 USPQ 696, 697 (TTAB 1970).

retain his ownership of the mark, but that those in business with him, including other shareholders in SIL and later on those in E-M, knew of such ownership or regarded him as the owner. Furthermore, there is nothing in the record which indicates any variation in quality of the goods sold by SIL. Stearn, in effect, implicitly licensed SIL's continuing use of the mark up until the time it ultimately ceased doing business. See John Anthony, Inc. v. Fashions by John Anthony, Inc., 209 USPQ 517, 525-26 (TTAB 1980). As Stearn persuasively argues in his reply brief, given the closely held nature of SIL and E-M and his working relationships therewith, "he did not need formalistic controls or documents reflecting them" in order to rely upon the quality control exercised by SIL. See Taco Cabana International Inc. v. Two Pesos Inc., 952 F.2d 1113, 19 USPQ2d 1253, 1259 (5th Cir. 1991), *aff'd sub nom.*, Two Pesos Inc. v. Taco Cabana Inc., 505 U.S. 763, 112 S.Ct. 2753, 120 L.Ed.2d 615, 23 USPQ2d 1081 (1992).[27]

[27] As the Fifth Circuit explained, relaxation of the strict observance of licensing formalities is warranted in such instances because:

> The purpose of the quality-control requirement is to prevent the public deception that would ensue from variant quality standards under the same mark .... Where the particular circumstances of the licensing arrangement persuade us that the public will not be deceived, we need not elevate form over substance and require the same policing rigor appropriate to more
>
> formal licensing ... transactions. Where the license parties have engaged in a close working relationship, and may justifiably rely on each parties' intimacy with standards and procedures to ensure consistent quality, and no actual decline in quality standards is demonstrated, we would depart from the purpose of the law to find an abandonment simply for want of all the inspection and control formalities. ....

With respect to use of the "SCUNCI" mark for hair accessories by L&N, we concur with the following statements set forth in Stearn's reply brief:

> Revson's hypertechnical argument that the license agreement is with the individual partners [or shareholders] of L&N and not
>
> with the [partnership or] corporation can be disregarded in view of the testimony of Mr. Hendler that his company was operating under the agreement ... and the testimony of Mr. Stearn to the same effect .... L&N Sales and Marketing is clearly the de facto licensor of Stearn.
>
> There is no evidence that Stearn ever intended to abandon his rights to the trademark SCUNCI. The evidence is all to the contrary. ....

We further note, in particular, that the March 10, 1992 license agreement provides that Hendler and Menaged not only have the right to grant sublicenses to others to use the "SCUNCI" mark, but that Stearn's approval of any sublicensee is not required in the case of a sublicense to a company controlled by Hendler and Menaged.[28]

In consequence thereof, and given Stearn's testimony that he has not received notification from Hendler and Menaged of their grant of any sublicense, it may reasonably be inferred, especially in light of Mr. Hendler's testimony that the March 10, 1992 license agreement is "the Trademark License between Leathem

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19 USPQ2d at 1259.

[28] See footnote 15.

Stearn and my company," that L&N is a sublicensee which is controlled by Hendler and Menaged. (Hendler dep. at 13.) There is nothing in the record which is inconsistent with such a view and, in fact, regarding L&N as a sublicensee fully comports with Stearn's testimony that the sales reports, royalties and samples he has received under the terms of the license agreement have been furnished by L&N instead of Hendler and Menaged. In addition, pursuant to his rights as licensor under the agreement, Stearn has inspected and approved the quality of hair accessory products produced and sold by L&N under the "SCUNCI" mark. Nothing in the record indicates any variation in the quality of the goods sold under such mark. In view thereof, Revson has simply failed to satisfy her burden of proof that the "SCUNCI" mark has been abandoned by Stearn under any of her theories of abandonment. The petition to cancel must therefore be denied.

Turning next to the issue of which party has priority of use of the mark "SCUNCI," it is clear that since Stearn has not been shown to have abandoned the mark, he may rely upon his proven ownership of a subsisting registration therefor in order to establish priority, at least with respect to elasticized hair holders, the goods set forth in his pleaded registration.[29]. See

[29] Although Stearn, through the testimony and exhibits presented by Mr. Hendler, also established use of the mark in connection with other hair accessory products such as hair ties, barrettes, hair holding combs, hair clips and headbands, the record does not disclose when use of the mark began for those items and cross-examination revealed that none is considered to be an "elasticized hair holder" so as to fall within the scope of Stearn's registration for the mark.

King Candy Co. v. Eunice King's Kitchen, Inc., 496 F.2d 1400, 182 USPQ 108, 110 (CCPA 1974).

This brings us to the remaining issue of whether contemporaneous use of the "SCUNCI" mark in connection with Stearn's products and Revson's goods and services is likely to cause confusion as to source or sponsorship. We find, in this regard, that upon consideration of the pertinent factors set forth in In re E. I. du Pont de Nemours & Co., 476 F.2d 1357, 177 USPQ 563, 567 (CCPA 1973), for determining whether a likelihood of confusion exists, confusion is likely.

In particular, we observe that the mark "SCUNCI," although not demonstrated to be in the category of a famous mark, is nevertheless an arbitrary and highly distinctive designation. Mr. Hendler, as mentioned previously, testified that "there is nothing even close to it in the marketplace" and that "there is a strong recognition by consumers of our ... Scunci brand name [products]." Revson, we note, offered no evidence to the contrary, such as instances of third-party use of the same or similar terms in connection with the same or similar goods and services. The mark, particularly as used in the stylized manner depicted in Stearn's registration, has a strikingly unusual and memorable format; it has an uncommon sound when pronounced; and it has no readily discernible meaning or connotation other than its trademark significance. Given this notable combination of unusual characteristics, the "SCUNCI" mark must be considered an arbitrary, unique and inherently strong source indicator which, like a famous mark, merits a relatively wide scope of protection.

With respect to the various goods and services of the parties, we find that, like Stearn's elasticized hair holders, Revson's cosmetics, leather goods and eyeglass chains and cords would be sold principally to the same classes of purchasers, namely, women and girls, through the identical channels of trade, such as discount department stores, warehouse clubs and other mass merchandisers.[30] Particularly, in the case of elasticized hair holders and cosmetics, such goods would often be sold within a few feet of each other from self-service shelves or display racks in supermarkets, drug stores and discount stores. Elasticized hair holders, like purses, wallets and handbags, are regarded by the purchasers thereof as fashion accessories and, while sold, for example, in different sections of discount department stores and warehouse clubs, they would nevertheless be found in relatively close proximity. Furthermore, although L&N does not presently sell elasticized hair holders or other hair accessory products in either beauty salons or hairdressing salons, the record indicates that hair accessories are sold in such outlets.

Consequently, while Stearn's elasticized hair holders plainly are different from Revson's various goods and services, it is clear from the record that his elasticized hair holders are not regarded merely as items designed for keeping a hairstyle in

[30] While we recognize that Stearn offered no evidence concerning the classes of purchasers and channels of trade for eyeglass frames and cords and chains for holding eyeglasses, it is apparent from the very nature of eyeglass cords and chains that purchasers thereof would include the general public and that retail sales outlets therefor would include mass merchandisers and not just opticians.

place, but are also considered fashion accessories in and of themselves by the purchasing public. They accordingly share a broad and mutually dependent relationship with many other fashion-oriented goods and services such as cosmetics, handbags, wallets, purses, cords and chains for holding eyeglasses, and beauty and hairdressing salons. All of these goods and services are marketed for the fashionable style or image which they offer in addition to the different practical functions which they serve. Thus, in the case of many if not most of the respective goods and services, if such products and services were to be offered by Stearn and Revson under the arbitrary, unique and inherently strong mark "SCUNCI," confusion as to the source or affiliation thereof would be likely to occur.

Decision: The petition to cancel is dismissed; the oppositions are sustained; and registration to applicant is refused in each instance.

R. F. Cissel

E. J. Seeherman

G. D. Hohein
Administrative Trademark Judges,
Trademark Trial and Appeal Board